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MEMORANDUM

To: G - Mr. Merchant  
From: EUR - Ivan B. White *IBW*  
Subject: Threats to NATO Defense Posture

The key NATO problem for some months to come may well be to maintain an adequate defense posture in the face of uncertainty created by protracted high-level negotiations with the Soviets. Wishful thinking about the likelihood of agreements on Berlin and on disarmament can produce an action-paralyzing atmosphere of false detente which will make it difficult for governments to carry out essential NATO defense programs. There will be other forces at work which will tend to weaken NATO's defense posture. A labor victory in the U.K. could bring renewed emphasis on disengagement schemes; even a Conservative Government in the U.K. can be expected to continue to push for a revision of basic NATO strategy at the expense of the "shield" concept. Difficulties created by de Gaulle's nationalistic attitudes are likely to continue to block effective NATO defenses, at least for a time. Although the President may well have had a favorable impact on de Gaulle's thinking, it is still too early to tell whether the change will be reflected in more constructive French positions on such matters as air defense, nuclear storage, and Fleet withdrawal. Finally, the economic-political dispute over the Six versus the Seven has potentially serious implications for the unity and strength of the Alliance. The central and most delicate problem, however, remains that of ensuring an adequate continuing defense effort in the face of uncertainty generated by high-level negotiations on Berlin.

It is of course essential that the NATO defense posture remain sound in the period ahead. It is fair to say that any success which may come in the negotiations will depend ~~largely~~ on whether the Alliance remains strong and united. Nothing would be surer to provoke an intransigent Soviet attitude ~~than~~ than signs of weakness and deteriorating defense posture in the Alliance.

A central task for the U.S. is to ensure, by example and by leadership, that the Alliance remains strong and united through the difficult period ahead. Close consultation with our Allies at all stages will be most important. But of first importance will be our own actions on NATO defense matters, both with respect to military aid and our own forces assigned to NATO.

Ability of Europeans to Pay Claims are made today that the Europeans can and should "pay their own way" in the common defense. The growing dollar reserves

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of most European countries are cited as justification. Such claims are used to argue for heavy reductions in military aid and for cutbacks in U.S. forces assigned to NATO.

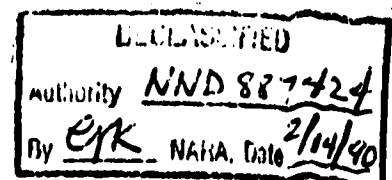
In examining these assertions, it is well to look first at the actual situation of specific countries. In the first place, the two most important NATO countries, in terms of force contributions, are the U.K. and Germany, and both countries have for some time been receiving no military aid; they are on a completely cash basis. Other important countries are today making a creditable showing, and with much reduced military aid. Italy has undertaken a 4 percent annual increase in its defense budget for the next five years. The current Dutch defense budget is designed to carry out fully NATO programs. The Belgian Government has recently announced its intention to effect an 11 percent increase in its defense budget. The Danish Government is likewise considering a significant increase. France could, of course, do much more in its NATO effort, but the fact is that Algeria has primacy in French national defense priorities. Greece and Turkey, with their severe economic problems, are a case apart; efforts to force them to contribute too heavily to defense could have disruptive economic and social effects which would threaten the security of these countries. Over-all, it is noteworthy that the European NATO allies are this year alone contributing approximately \$12 billion to defense; this is equivalent to the total that the U.S. has contributed to these countries in military aid over the ten years of the program.

There is also a question as to whether the increased dollar reserves have real relevance to the ability of the Europeans to do more. The problem for the European countries is essentially budgetary, not balance of payments. The tax burden and the per capita Gross National Product contributed to defense in Europe compares favorably with that in the U.S.

Military Aid Cuts. The FY 1960 military aid programs proposed by Defense for most European countries have been drastically reduced. Funds for tactical advanced weapons, the heart of the MC 70 program, have been cut to only about \$85 million, plus \$65 million for European production of missiles. These proposals contrast sharply with the Draper Committee recommendation for a \$400 million increase, primarily for NATO new weapons and modernization.

If these figures are finally adopted and become known to the Europeans, they will provoke real doubts about the readiness of the U.S. to do its share in meeting MC 70 goals, particularly in providing the tactical advanced weapons which are the key to ensuring an adequate NATO shield. The fact is that many of the European countries simply do not have the budgetary resources to buy the advanced weapons. Either we provide them, or NATO goes

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goes without an adequate shield. The U.S. played the major role in bringing about adoption of MC 70 as the absolute minimum requirement for NATO. Our failure to provide anything like the contribution expected of us can have a very damaging effect on the Europeans' confidence in the U.S.

U.S. Force Cuts. Potentially even more serious in its psychological effect on the Alliance are threatened shortfalls in the U.S.'s own forces committed to NATO. These shortfalls will not become apparent in this year's Annual Review. However, advanced indication is that force planning now going forward in the Pentagon on the basis of this year's budget limitations will result in serious shortfalls, particularly in U.S. Air Force units committed to NATO. These cutbacks will necessarily have to become known to the Europeans early in 1960 through actual phasing out of the units involved. The implications will not be lost on our Allies. The European NATO countries - especially the Germans - are always extraordinarily sensitive to any hints of cutbacks or withdrawals of U.S. forces. Nothing has a more damaging effect on confidence in the U.S. within the Alliance. The Europeans can be induced to continue their own build-up, but this cannot be done by our cutting back on our own. The fact is that the MC 70 minimum goals require both U.S. and European forces; they allow no room for withdrawal of U.S. forces after a further build-up of European, principally German, forces. The effect of a cut-back of U.S. forces would not be to "shock" the Europeans into greater efforts of their own; their reaction would much more likely be to reduce their own defense programs and seek an accommodation with the Soviets.

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